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November 23, 2010

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW.
Washington, DC 20551

RE: R-1366, interim final rule on the Mortgage Disclosure Improvement Act (MDIA)

Dear Ms. Johnson:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents the interests of our nation's federal credit unions (FCUs), I am responding to the Federal Reserve Board's interim final rule implementing the Mortgage Disclosure Improvement Act (MDIA). NAFCU supports efforts to clarify and streamline the mortgage process in a manner that ensures consumers receive all relevant information in a simple, clear, and easy to understand disclosure.

The amendments to Regulation Z which this final interim rule will affect are, in large part, required by statute and consequently the Federal Reserve Board (the Board) has limited discretion in how it proceeds. Nonetheless, I want to share two concerns regarding this proposal. First, the timeline for compliance is relatively short. Second, it would be advantageous to credit unions and our member-owners – and to the entire financial services industry – if the Board took a more holistic approach towards amendments to Regulation Z.

This interim final rule was published in the Federal Register on September 24, 2010 with an effective date of October 25, 2010. Compliance, however, is optional until January 30, 2011. Simply put, that is a relatively short period of time for lenders to familiarize themselves with the new forms, train staff and update systems as necessary to ensure the disclosures are properly filled out. Further, this is just one of several new regulations issued by the Board that go in to effect in late 2010 or early 2011:

- On January 1, 2011, regulations implementing the *Helping Families Save their Home Act*, requiring new disclosures for the sale or transfer of a mortgage will go into effect.

- Also on January 1, 2011, new regulations on risk based pricing under the *Fair Credit Reporting Act* (FCRA) will go into effect.

- New requirements to protect consumers from unfair, abusive or deceptive lending practices regarding mortgage loan originator compensation will be effective as of April 1, 2011.

- Additionally, institutions must prepare to comply with the *Secure and Fair Enforcement for Mortgage Licensing Act* (SAFE Act), which regulators plan to have operating in early 2011.

- Finally, the Board indicated it expects to finalize regulations under the *Home Ownership and Equity Protection Act* (HOEPA), regarding escrow requirements in the near future and that there will likely be a short timeframe between the final rule and the compliance date.

With all of the final rules the Board has issued, not to mention proposed rules that also require study, it would be helpful if lenders were given more time to comply with the myriad changes.

Next, NAFCU requests the Board consider ways in which to simplify the increasingly confusing statutory and regulatory changes to Regulation Z and related regulations. For example, many of the changes in this interim final rule are similar to recent changes the Department of Housing and Urban Development (HUD) made to its good faith estimate (GFE) and HUD-1 Settlement Statement. At the same time, the *Dodd-Frank Wall Street Reform and Consumer Protection Act* directs the new Consumer Financial Protection Bureau (CFPB) to streamline the TILA early disclosures with HUD's disclosures under the *Real Estate Settlement Procedures Act* (RESPA). The Board is also simultaneously considering several other very substantial changes to the mortgage disclosure process. Consequently, credit unions are justifiably concerned that one set of major revisions to Regulation Z may be followed soon after by a second, and possibly even third set, of major changes affecting the same provisions. NAFCU understands that some changes, including most of the provisions of this proposal, are required by statute. We also understand that Regulation Z and RESPA have different purposes and consequently it has proven extremely difficult to reconcile the two. Nonetheless, the *Truth in Lending Act* (TILA) provides the Board considerable authority to oversee the Act, its provisions and compliance as it sees fit. With that in mind, NAFCU encourages the Board to use its discretion, working within the confines of the statute, to simplify and streamline the amendment process going forward. While the law is never static, we hope the Board uses its authority to minimize the cost and burden associated with Regulation Z compliance.

NAFCU appreciates the opportunity to share our thoughts on the interim final rule. Should you have any questions or require additional information please call me at (703) 842-2212.

Sincerely,

Dillon Shea

Dillon Shea
Associate Director of Regulatory Affairs